

Minutes Of The Board Of Trustees City Of Cincinnati Retirement System January 12, 2006

The Chairman called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairman
William Moller, Secretary
David E. Rager, City Manager
Joe Harrison
Michael Rachford
Julie Brinker (proxy for John Cranley)
Brian Pickering
Marijane Klug

Member/s Absent

Ely Ryder
Mark Mallory, Mayor

The Chairman called for a motion to approve the minutes of the December 5, 2005 Board Meeting. The motion to approve the minutes was made by Mr. Pickering, seconded by Mr. Harrison and carried by the Board.

The Chairman announced that since Mr. Moller is retiring effective January 15, 2006, this is officially his last meeting and Mr. Joe Gray, Finance Director, will serve as the Secretary to the Board of Trustees.

BENEFITS COMMITTEE

Mr. Harrison reported that the Benefits Committee met on January 5, 2006, at 2:00 p.m. in Committee Room B. Mr. Harrison presented the following report to the Board.

1. Application for Ordinary Retirement - January, 2006: Total – 18

NO.	NAME	DEPARTMENT
37161	Rosemary Meinders	Recreation
39141	Kenneth Steers	RCC
43012	Ronald Schuster	Police
43375	Alannis Bratton	University of Cincinnati
43866	William Moller	Finance
43885	Michael Grodi	University of Cincinnati
43900	Cheryl Green	University of Cincinnati
43923	Barbara S. Huber	University of Cincinnati
43959	James Watson	MSD
44636	Marilyn Rack	University of Cincinnati
44822	Linda Bachscheider	Police
46571	Kenneth Croll	RCC
49181	James Johnson	Law
50664	Barbara Hartig	Buildings & Inspections
51258	Richard Hanna	MSD
51940	John Leppert	Fire
60942	William Ridder	Health
61891	James Flohr	RCC

2. Application for Retired Members Deaths: Total – 12

Mr. Harrison reported that one applicant withdrew their application for disability retirement. Mr. Harrison moved that the Board accept the report of the Benefits Committee. The motion was seconded by Mr. Rachford and carried by the Board.

SECRETARY'S REPORT

Mr. Moller reported that as of November 30, 2005 the asset level of the fund was \$2.42 billion compared to \$2.40 billion at the beginning of the year, a year-to-date increase of about 1.1%. Over the past twelve months, the asset level of the fund has increased by about 2.8%.

Mr. Moller also reported that un-audited valuation reports provided by the custodial bank indicates that the total fund investment performance for 2005 is estimated to be about 6.30%. While this is strong performance relative to the Cincinnati benchmark, it trails the 8.75% investment assumption return. It is estimated that the actuarial loss from investment performance will be about \$50 million for 2005.

The retirement staff distributed an update to the CRS Investment Policy Statement. At the December 8, 2005 meeting, the Board approved a plan to implement a new asset allocation that was recommended in the recent asset/liability study. The new asset allocation includes a 4.0% allocation to real estate and a 2.0% allocation to private equity. Because it will take some time to fund those allocations, the staff had

recommended that the under-allocation to those asset classes be spread proportionally across the other asset classes. At this time, the interim asset allocations are 52.74% domestic equities, 16.88% international equities, 29.53% fixed income, and 0.85% private equity. Mr. Moller moved that the Board adopt the update to the CRS Investment Policy Statement, Mr. Harrison seconded the motion, and the motion passed unanimously.

Mr. Moller reminded the Board that the Investment Committee would hold a special meeting on January 19, 2006 for a presentation from the investment consultant on investing in real estate. The next quarterly Investment Committee meeting will be held on February 28, 2006.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 28
2. Resolution for Return of Contributions & Death Benefits– Total: 74
Amount: \$274,399.15
3. Resolution for Loans to Members – Total: 44 Amount: \$528,982.75
4. Report on Deaths of Pensioned Members – Total: 16

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Lee Personnel Inc. – Temporary Personnel Services	\$2,052.17
City of Cincinnati – Accounts & Audits Billing for Accounting Services performed in 2005	\$52,761.56
Squire, Sanders & Dempsey – Professional Services Rendered	\$763.42
City of Cincinnati – Treasurer – Reimbursement for Palmetto GBA payment	\$3,076.28
City of Cincinnati – Accounts & Audits – 3 rd Qtr. Cinsy Billing	\$16,664.38
City of Cincinnati – Accounts & Audits – Charges for Medical Insurance for 4 th Quarter of 2005	\$11,402.68
Business Information Solutions Inc. – Storage of CRS files	\$75.60
City of Cincinnati – Printing Services – Charges for the month of Dec. 2005	\$1,938.39
Nelco – Payment for 1099 Tax Forms 2005	\$931.15
Lee Personnel Inc. – Temporary Personnel Services	\$650.00

The Secretary reported that at the close of business December 31, 2005, there was in the Treasury to the credit of the Retirement System the amount of \$2,018,995.40

Asset Valuation:

- December 31, 2004: \$2.40 billion
- November 30, 2005: \$2.42 billion
- YTD Increase (Decrease): 1.07%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 51.5% (50%)
- International: 14.8% (13.5%)
- Fixed Income: 32.4% (33.5%)
- Alternative Assets/Treasury Cash: 1.3% (3%)

Executive Session

At 1:45 p.m., the Board voted unanimously to hold an executive session in order to discuss personnel issues. The audience and retirement staff members were excused from the meeting until the executive session ended at 2:00 p.m.

PENDING BUSINESS

Mr. Moller reported that the Board has hired Hudepohl & Associates to conduct the search for a Pension Fund Manager. Mr. Moller indicated that during the interim, John Walsh will be appointed as Acting Pension Fund Manager for 89 days. Mr. Moller commented that if a Pension Fund Manager still has not been hired after that period, then Keith Giles would be eligible to serve as the Acting Pension Fund Manager.

Mr. Pickering indicated that he would like to replace Mr. Moller on the Pension Fund Manager Search Committee. The Chairman agreed to assign Mr. Pickering to this Committee to replace Mr. Moller.

New Business

Mr. Moller reported that the City's Risk Management Division has sent a letter to all active City employees to begin an audit of dependant healthcare status. The letter gives employees the opportunity to remove from healthcare coverage any individuals that do not meet eligibility requirements for City healthcare benefits. A similar letter that would be sent to retirees was given to the Benefits Committee as an informational item at their last meeting, and the committee members indicated that they would like to get Board approval before sending out this type of letter. Mr. Moller indicated that unless the Board objects, he would instruct the Risk Management Division to send out a similar letter to all retirees.

Mr. Radford commented that he has received a number of complaints from members regarding their 2004 annual statements not being received until November 2005. The retirement staff indicated that the 2005 statements could possibly be ready for mailing by the end of March. The consensus of the Board was that these statements should be sent as soon as practically possible with a target date of March 31, 2006.

Mr. Moller indicated that before he leaves the Board, he felt obligated to submit another plan that would help address the retirement system's long-term funding problems. Mr. Moller indicated that he has been working with the actuary to develop a plan that the Board could consider when it receives the 2005 actuarial report in May 2006. The plan assumption changes in the proposal are as follows:

- City Contribution 17%
- Employee Contribution 8.5%
- Investment Return 8.125%
- Health Care Funding Level 80%
- Current retirees retain current healthcare coverage but pay a monthly premium of \$13 for single and \$36 for family (same as active member plan). No changes to current deductibles, co-pays, or prescription drug costs.

- Post December 31, 2006 retirees would be enrolled in the 80/20 Health Care Plan (same as the active member plan). These retirees would pay the active member monthly premium of approximately \$13 for single and \$36 for family. Other 80/20 Health Care Plan costs would be phased in for 2007 and 2008 at 1/3 of the difference between the 80/20 Health Care Plan and the current plan cost each year.

Mr. Rachford moved, and Mr. Harrison seconded the motion, that the Board file Mr. Moller's proposal. Mr. Radford commented that voting to file this proposal would indicate that no changes need to be made in order to improve the financial health of the CRS. The motion to file the proposal failed by a vote of 5 to 2.

Mr. Pickering asked for an update on the search for the Citizen Board Member. Mr. Radford commented that he would provide additional information on this at the next Board meeting.

The Chairman expressed his appreciation and thanks to Mr. Moller for the leadership he provided to the Board. Other Board members extended their appreciation to Mr. Moller as well.

ADJOURNMENT

Upon request of the Chairman for a motion to adjourn, the motion was made by Mr. Rachford, seconded by Ms. Klug and carried by the Board. The meeting was adjourned at approximately 2:20 p.m.